



NEWSLETTER

Issued by PUBLIC EMPLOYEE RETIREES, INC.

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APRIL, MAY, JUNE 1999

LEGISLATIVE REPORT

By John Gilchrist



PERI continues to have concerns with a legislative proposal, H.B. No. 199 (Rep. Cates), that would create an alternative retirement program for public employees covered by Ohio's

state retirement systems. That is, certain public employees would be allowed to opt out of the state's five retirement systems and select an alternative retirement plan. The alternative plans would be defined contribution plans offered by private vendors. These would be made available to newly hired employees and any current member of a retirement system with less than five years of service credit. Current employees would have a 120-day window in which to select an alternative plan. The selection of an alternative plan would be irrevocable. However, if an employee ceases employment, he may reselect a new retirement plan.

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MANDATORY SOCIAL SECURITY UPDATE

By William I. Winegarner, Administrator

Saving Social Security has been the hottest political rallying point in the past 10 months. Of the many proposals to set Social Security on the right path, one would be extremely harmful to those who receive health-care coverage under PERS. That proposal is the one that would require all "newly hired" public employees to pay the Social Security tax. That means that employees and employers would no longer be paying into the PERS pension fund. The term "new hires" is very deceptive, because it not only

applies to beginning workers but also to those who receive raises or transfer positions. When Medicare payments were required of new hires, it only took 5 years before 80% of all workers were classified as "new hires".

PERS pays for healthcare from the pension fund earnings. If new money stops flowing into the pension fund, the earnings will be reduced and so will the healthcare benefits. Therefore, mandatory or required Social Security tax payments for publicly employed workers will be harmful for Ohio's retired public employees.

PERI has been working diligently with PERS and all of the other public retirement systems in Ohio and across the nation to keep this proposal from being included in any "Saving Social Security" legislation. We are having some successes. The entire Ohio Congressional Delegation is opposed to this legislation. The Ohio General Assembly is forwarding a

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HOLD IT!

Yes, hold the date of Thursday, Sept. 23 for an adventure in Columbus. That's when PERI will hold its annual meeting.

You'll want to be there for the PERS and PERI reports, the friendly visiting and the satisfaction of being part of an organization that is helping you to understand and defend your pension funds.

ATTENTION ALL SENIOR AND DISABLED OHIO RESIDENTS

Joseph W. Testa, Franklin County Auditor, urges Ohio residents who are eligible to apply now for a 1999 Homestead exemption. The application period runs through June 7, 1999.

Eligibility requirements include the following:

- Age 65 or older or totally and permanently disabled.
- Total income of \$20,800 or less for 1998.
- Own and live in your home as of Jan. 1, 1999.

For more information call your local county auditor's office.

PERS PRESCRIPTION DRUG PROGRAM

By William I. Winegarner, Administrator

Starting on Jan. 1, 2000 PERS's mail-in prescription program will begin carrying the same co-pay requirements as the local pharmacy program. Floyd Smith, PERI's Legislative Chairman, and I attended a PERS briefing in late January of this year where the reasons for the increases were explained. Simply stated the pharmaceutical portion of our health-care program increased by 16.3% in 1998 and is projected to increase an additional 15.5% in 1999 which will

bring the yearly cost of pharmaceuticals to \$177 million.

PERI began immediately to study PERS's co-payment charge. We started with the Milliman & Robertson report to the Ohio Retirement Study Council which basically said PERS was so well funded that the ORSC could recommend a reduction in the employer contribution. A lot of people have jumped on that recommendation without noting that the report does not

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The contribution rates for the employee must be the same as if they were contributing to the corresponding public retirement system. The employer contribution is variable, decided by the employer. Lastly, the employer will be required to contribute 6% of pay for each employee selecting an alternative retirement plan to cover any existing unfunded liability. The Ohio Retirement Study Council has stated that the 6% figure has not been backed by actuarial studies—they are studying this provision.

The five retirement systems currently provide defined benefit plans as opposed to the defined contribution plans provided in H.B. No. 199.

A defined contribution plan (e.g., a 401(k) plan or 403(b) plan) is a type of plan that provides participants with an individual account, and benefits are based solely on (1) the amount contributed to each participant's account (either by the participant or the employer), and (2) any income, expenses, gains and losses, and forfeitures that may be allocated to the account. There are no safety net coverages such as survivor benefits, disability benefits, health care in retirement, or COLA.

A defined benefits plan, in contrast, does not contain individual accounts. Instead of paying participants the amount in their accounts when they retire, a defined benefits plan promises participants a certain benefit at their retirement. The benefit is typically determined based on the participants' level of compensation and/or their years of service with the employer. The employer is required to make contributions to the plan, the amounts of which are actuarially determined and are designed so that the plan is adequately funded to pay all promised benefits as they arise.

Major concerns with H.B. No. 199 include the following: those who choose this alternative plan may experience investment return problems and they will want the systems to absorb their losses. Also, many younger individuals who change jobs fail to rollover their assets; instead, they use their retirement money for other purposes.

Supporters of the bill contend that it would help public employers recruit
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ATTENTION AARP MEMBERS

The AARP Board of Directors has taken the position that Social Security should require coverage of all state and local government employees. This means that PERS would no longer be funded as it is today and that the potential impact would be a dramatic reduction in our healthcare benefits.

PERI has been working with PERS administrators and Ohio legislators since 1948 in order to secure the benefits we now have. If this federal legislation passes, all of our work over the past 51 years could be

wiped away. We are asking you as AARP members to write to the National AARP Board of Directors, 601 E. St. N.W., Washington, D.C. 20049 and express your opposition to their position.

Below is a sample letter that you can use to communicate your belief that mandatory Social Security for state and local government workers is not a solution to solving the problems of Social Security. Your letter will be more effective if you add your ideas and revisions to fit your situation.

SAMPLE LETTER:

Although I am a member of AARP, I disagree with your stand on mandatory Social Security for state and local government employees.

During my working years in the State of Ohio, I paid into Ohio's Public Employees Retirement System. Now there are some 113,000 retired public employees who receive pensions and benefits, during any given year, and about 350,000 current workers contributing toward their future pensions.

PERS has been so well managed that retirees with 10 years or more of service credit receive free healthcare coverage, an excellent prescription program, and Medicare Part B reimbursement from the proceeds of the earnings off of the pension fund.

I appreciate AARP's commitment to support the effort to insure that Social Security be placed on solid footing, but the facts demonstrate that rolling all public employees into Social Security will only provide for a short term influx of funds. A complete analysis of this strategy reveals that after the initial two years of new dollars, these new retirees will begin to cost Social Security more than the income derived from their contributions.

Under the current state operated Public Employee Retirement Systems, retirees are well cared for and will never become a drain on the Social Security Administration.

It would be fiscally sound for the Social Security Administration to avoid having to cover those who are already well cared for by their state retirement systems.

I am asking you to look deeper into universal coverage of state and local government employees and to reconsider your position on the topic.

Sincerely,



1999 officers of the Hocking County Chapter were installed by Don Moyer, director for PERI District 8. Pictured are (from the left), Charles Gilbert, Pres.; Marjorie Belville, V.P.; Virginia Gano, Sec.; Mary Ann Bail, Treas.; and Mr. Moyer.

LEGISLATIVE REPORT

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new talent while protecting the solvency of the state's existing retirement systems. Auditor of State Jim Petro testified in support and emphasized this point in his testimony. Supporters also contend that while public systems could lose members, there would be an offsetting reduction in the public system's long-range liabilities. Again, the ORSC is still doing actuarial research on the potential impact that the bill could have upon the systems. It should be noted that the concept of alternative plans is not new in Ohio. In H.B. No. 586 of the 121st General Assembly, academic and other employees of the state-supported colleges and universities were authorized to elect for private pensions. So far, Ohio University and the University of Cincinnati have offered alternative plans. Sixty percent of eligible employees at both institutions have chosen alternative plans.

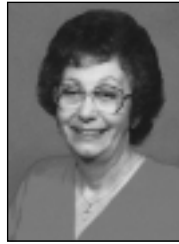
PERI Legislative Committee chairman Floyd Smith and I recently attended a meeting of the five directors and other interested groups to hear the five directors discuss this bill—they all oppose it at this point.

HOMESTEAD EXEMPTION: there are a number of legislative proposals pending before the Ohio General Assembly dealing with the homestead exemption. Of the various pending bills, S.B. No. 6 (Sen. Armbruster) appears to have the best chance of passing. It has already passed the Senate and passed out of the House Ways and Means Homestead Exemptions Subcommittee.

The bill increases the maximum income limit used to determine eligibility for the homestead exemption and indexes to inflation the income brackets used to determine the amount of a homesteader's tax reduction. The current income limit is \$20,800; the bill raises this to \$23,000 and indexes it to inflation. When the bill was in the House Ways and Means Homestead Exemptions Subcommittee it was extensively amended by adding provisions from other bills dealing with the homestead exemption. Added to the bill was a provision from H.B. No. 56 which indexed the benefits received each year to inflation.

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SYCKS NAMED PERI DISTRICT 9 REP.



Beverly J. Sycks of Coshocton has become representative for PERI District 9. She will serve the following counties: C o s h o c t o n , Guernsey, Belmont, Harrison, Jefferson,

Holmes, Tuscarawas and Carroll.

Ms. Sycks was born in Coshocton, OH and graduated from Coshocton High School. She then attended Coshocton Business School.

After working as a secretary in private industry she began working for the Coshocton County Veterans Service Office in 1955. She was secretary for the Ohio State Association of SRC's and handled Selective Service for Coshocton County.

She retired in 1985 but remained active in church and community activities. She joined PERI as secretary of PERI Chapter 77 when it was formed.

HIGGENS BECOMES PERI DISTRICT 11 REP.

James R. Higgins has been named representative for PERI District 11. He will serve the following counties: Lake, Geauga, Portage, Stark, Ashtabula, Trumbull, Mahoning and Columbiana.

He grew up in Beaver Falls, PA and graduated from Beaver Falls High School. He then served in the U.S. Marine Corp and retired in 1972 after 20 years of service as a budget analyst.

After several years in private business, he became auditor for the Ohio Department of Welfare Department from 1979 to 1981. He then transferred to the Ohio Bureau of Employment Service as a compliance auditor, retiring in 1998.

Mr. Higgins is commandant of the Tri-State Marine Corps League Detachment in Youngstown, OH and N.E. vice commandant for the Department of Ohio Marine Corps League with detachments in Akron, Ashtabula, Canton, Dover, Mentor, Warren and Youngstown. He is a member of the board of directors for the Marine Corps Coordinating Council.

He and his wife Patti have been married 18 years.



Pictured, from the left, are Frank Faires, Pres. of Morgan County Chapter, Floyd Smith, PERI 2nd V.P.; Nancy Hollister, Ohio State Representative of Marietta; and Don Moyer, PERI District 8 representative.

HOLLISTER ADDRESSES DISTRICT 8 MEETING

The annual spring meeting for PERI District 8 was held on April 9 at Malta, Ohio. Ninety-eight members were present from all eight counties.

Featured speaker was Ohio's only lady governor and now state representative, Nancy Hollister of Marietta. Also speaking on PERI matters and legislative concerns was PERI State V.P. Floyd Smith. Don Moyer, District 8 representative arranged the meeting.

The trophy contest of the district for new members was won by Muskingum County Chapter 47. This district gained 83 new members during 1998.

SOCIAL SECURITY

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request to Congress that they not include mandatory Social Security coverage in any legislation. President Clinton did not include mandatory coverage in his budget proposal. PERI's members who live out of state have been writing their congressional legislators, requesting their support to exclude mandatory coverage as a solution to fixing Social Security. Our local chapters have been asked to write AARP's Board of Directors and request that they stop supporting mandatory coverage.

We are all doing our best to stop this potentially devastating legislation from being enacted. We are making progress. We thank you for your support and encourage you to call your fellow retirees who have not yet joined PERI and encourage them to get involved before it is too late for their voices to be heard.

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A provision taken from H.B. No. 30 was also amended into the bill. This provision will prevent disabled elderly homeowners from becoming disqualified from the program once they reach age 65 and receive Social Security benefits. That is, it modifies the computation of income under the homestead exemption in order to prevent elderly homeowners from becoming disqualified for the exemption because of the change in the classification of benefits from disability to retirement benefits (Social Security). Disability benefits are deductible; however, when the benefits change to a retirement benefit, the deductibility is lost and some individuals find themselves above the minimum eligibility amount.

MERGER OF PERS AND SERS: In an attempt to address a concern with health care costs in School Employees Retirement System, two legislators have asked about the feasibility of merging the two systems. SERS members and retirees are demanding that SERS have parity with the other systems in regard to health care. At a recent meeting of the Ohio Retirement Study Council (ORSC) the discussion on this issue centered on merging the health care funds of the two systems and not the systems themselves. SERS Director, Tom Anderson, has stated that when discussions such as this emerged in the past, there were legal problems to such a merger. ORSC and members of the Attorney General's office have been asked to investigate the legality of merging the two systems.

SOCIAL SECURITY: Although we have not seen any action in the U.S. Congress of late on the subject, PERI continues to be concerned about various proposals that would require newly hired public employees to join Social Security.

As we reported in the last issue of the Newsletter, various reports and studies have indicated that unless something is done soon, the Social Security System may be headed for a financial crisis. There have been various proposals put forward to address the issue. One of the proposals that is of concern to us is the one that recommends that all newly-hired state and local government employees be required to join the Social Security System.

This provision has met with opposition from our five retirement systems and from our Ohio state legislative leaders. In addition, we are told that the entire Ohio congressional delegation opposes this provision. During the hearings last year, at least three of our state retirement systems executive directors testified in Washington to express their opposition. In addition, a number of our state legislators have also expressed their opposition. We are now participating in a coalition with the five state retirement executive directors, other associations of retirees, the various unions representing public employees, and other interested groups to fight this proposal. We all agree that if this proposal were to be enacted, it would have an adverse impact upon each system. Presently, the investment returns of PERS provides about 80% of the benefits that retirees receive. The employer and employee contributions together provide about 20%. If newly employed individuals are required to join Social Security, their contributions are lost and thus are not available for investment. Consequently, at some point in time there will be no one paying into the system.

We will continue to oppose this provision and will continue to participate in this coalition.

In addition, the Ohio General Assembly has passed a Resolution H. Con R. No. 4 that requests the U.S. Congress to reject any legislation requiring Social Security coverage for Ohio public employees who are members of one of the state's retirement systems.

Lastly, Aris Hutras, director of Ohio Retirement Study Council, has been appointed by the National Conference of State Legislators to represent state officials and the interests of state government on the group's Task Force on Social Security Reform. The task force, comprised of 23 state legislators and key staff, will examine federal proposals for reforming the Social Security system, determine the potential impact on state government, inform state legislators and staff around the country, and develop a comprehensive policy statement to guide NCSL's lobbying efforts on Social Security Reform. This appointment will assure us that our voice will be heard on this subject.

EVELYN GEORGE BECOMES DISTRICT 2 REP.



Evelyn George is the new representative for PERI District 2. She will serve in the following counties: Allen, Auglaize, Mercer, Paulding, Putnam, Shelby, Van Wert and Hardin.

Mrs. George grew up in Putnam County and graduated from high school there. In 1943 she received a cosmetology license and practiced for 30 years. Then in 1973 she began working for the Auglaize County Health Department. She took courses in computer use at the Apollo Wright State University and The Ohio State University. Serving as administration assistant, she assisted in the computerization of the department.

She is a life member of the Ohio Public Health Association and is a member of Shelby PERI Chapter. She is active in church work and sports.

Mrs. George and her husband Robert have three sons, seven grandchildren, two great-grandchildren and two step-great-grandchildren.

FORMER PERI BOARD MEMBER DIES AT 100

Clark Whitney Van Schoik, former member of the PERI Board, died April 12 in Columbus. He was 100 years old.

Mr. Van Schoik served a number of years before he left the Board in 1986. A former farmer and Norwich Township Trustee he was employed for several years by the Ohio Department of Agriculture as Chief of the Division of Foods and Dairies and Chief of the Division of Weights and Measures. He later served as a bailiff in the Franklin County Domestic Relations Court. He was a 75-year member and past master of Avery Lodge #493 F & AM Hilliard, Scottish Rite and Aladdin Temple Shrine.

He is survived by two sons and a daughter, and seven grandchildren, 12 great-grandchildren and one great-great grandchild.

DRUG PROGRAM

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take into consideration the system's cost of healthcare, prescriptions, and Medicare Part B reimbursement. In other words because healthcare is offered at the discretion of PERS and is not a required expense, those costs were not taken into account when the recommendation was made to the ORSC.

The next point we studied was the availability of funds that would enable PERS to absorb the increasing cost of pharmaceuticals. This study always ends up with an "either/or" conclusion. Because there is not an unlimited supply of money, a decision has to be made where the funds can be best utilized.

When our studies were completed, the PERI Board came to the conclusion that the Milliman & Robertson report had no real bearing on the subject because it eliminated healthcare as a cost factor in its equations. We also looked at the percentage of co-payment increase to the pharmaceutical percentage of increase. This argument, though impelling at first, does not compare equal items and simply diverts one's attention from the big picture.

None of us like increases. At the same time none of us can deny that we have the best coverage of any retirement system in the state of Ohio. Over the years our working relationship with PERS has allowed us to have respected input into their decision-making process. After studying the need for an increase in the co-payment for pharmaceuticals we feel that these increases are necessary and reasonable within the context of our entire benefit package.

DISTRICT 4 PLANS SPRING CONFERENCE

District 4's spring conference will be held on Thursday, May 20, 1999 at the Golden Corral Steakhouse in Wilmington. Registration will be from 11:15 a.m. to 11:30 a.m. Chapter presidents are asked to bring their manuals.

PERI State President William Covert and Ivor Jones, 2nd vice president, will present the program.

OUT-OF-STATE MEMBERS RESPOND TO PRESIDENT'S REQUEST FOR LETTERS

Our hats are off to our out of state members. On Feb. 12, 1999, President Covert wrote to all PERI members who have taken up residence in states other than Ohio. He requested that they write to their state's U.S. Senators and to the U.S. Representative for their district. The purpose of the letter writing campaign was to encourage members of Congress, from states other than Ohio, to look at the mandatory Social Security issue through the eyes of one receiving benefits from Ohio's Retirement Systems.

As usual our members took immediate action and wrote compelling letters to their delegates. We have received reports from the coalition against mandatory coverage that the letter writing campaign has helped to soften some opinions and has made a very positive contribution to our efforts to stop this legislation. Once again, our sincerest appreciation to those of you who took the time to write.

HERE ARE SUGGESTIONS FOR BETTER SLEEP

If you have trouble sleeping, here are some suggestions from PERSpectives that may help:

- Stick to a regular sleep schedule.
- Ask your doctor if any of your medication could be disturbing your sleep.
- Stay active. Maintain a moderate level of daily activity and do gentle exercise.
- Spend some time outdoors during daylight hours. Sunlight can help set your biological clock.

ELIZABETH LIST JOINS PERI AS RECEPTIONIST



There's a new voice on the phone at PERI. Elizabeth List recently became office receptionist.

A graduate of Amarillo College, Amarillo, Texas, she also attended Adelphi Business College in Philadelphia, PA. She grew up in Shaker Heights, Ohio, and graduated from high school in Philadelphia where her family moved when she was 16.

Mrs. List has had a wide variety of experience in business, art and computer skills. Her work has taken her to Germany, Colorado, New Mexico and Texas.

Remember our Chapter Membership Contest. Keep members **WORKING TOGETHER FOR CHAPTER SUCCESS**. Your help will put new life into your chapter and help PERI grow in size and influence.



Muskingum County PERI officers for 1999 are, from the left, Pres. Barbara Greulich, V.P. Christine Morrison, Treas. Mary Johnson and Sec. Florence Sulens.

A MESSAGE FROM YOUR PRESIDENT



As we study the congressional agenda for the summer of 1999, it appears that our efforts in opposition to mandatory Social Security is beginning to have some positive effect.

President Clinton's budget omitted the proposal, and several leaders in the Administration and in Congress have taken the position that required participation by public employees in every state is not absolutely necessary to solve the Social Security dilemma.

I want to thank all of our members who live outside of the state of Ohio who wrote their Senators and Representatives. Your letter writing campaign has really paid off in getting our message out to congressional leaders from other states.

Before I move on to another subject, I would like to ask those of you who are AARP members to write a letter also. Elsewhere in this newsletter there is a suggested letter that should be written to AARP's Board of Trustees. AARP has taken the position that mandatory Social Security is a good thing. We need to convince them to change their minds on this issue, and if you will take the time to write them we may be able to do this.

Now let's move on to the current activity in the Ohio General Assembly. John Gilchrist's Legislative

Article will address the majority of these issues, but I want to specifically talk with you about H.B. 199. This Bill is sponsored by Representative Gary Cates from Butler County and co-sponsored by Representatives Allen, Buehrer, Cary, Corbin, Goodman, Jordan, Mottley, Terwilleger, Trakas, VanVyven, and Willamowski. The purpose of this Bill is to create an alternative retirement program for Ohio's public employees. The alternative is called a defined contribution program. In a defined contribution program the worker and the employer pay a certain amount (the defined contribution) into a private pension fund. The worker and the pension fund manager make the decisions on how the money would be invested. The gamble is the wisdom of the investment and the strength of the economy. If the economy stays strong and the worker and fund manager make the right choices, the worker may end up with more money than he or she would have received from PERS's current "defined benefit" pension. What the worker in a defined contribution program would not receive is: medical coverage, or a pharmaceutical program, or Medicare Part B reimbursement, or a Cost of Living adjustment. If the State Legislature approves a change to allow for a defined contribution plan it would have a similar effect on current retirees as would the mandated Social Security proposal. Both pro-

posals would stop the flow of new money into PERS and would eventually begin to erode our benefit package.

On a lighter note, spring is here and summer is not far behind. This time of year we can enjoy getting out and looking forward to great Chapter Meetings and fellowship. Even though we have important issues to work on, let us never forget that life is wonderful and that we should thank God for all that we have.

William Covert

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